

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY BRASILIA IMMEDIATE

C O N F I D E N T I A L STATE 134642

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E.O. 11652: GDS

TAGS: PFOR, BR

SUBJECT: LETTER TO THE SECRETARY FROM FOREIGN MINISTER

SILVEIRA CONCERNING COUNTERVAILING DUTY ON BRAZILIAN SHOES

1. ENGLISH TEXT OF FOREIGN MINISTER SILVEIRA'S LETTER TO
THE SECRETARY DELIVERED JUNE 21 FOLLOWS:

2. BEGIN TEXT: MY DEAR HENRY, IT WAS WITH GREAT PLEASURE
THAT I RECEIVED YOUR LETTER DATED JUNE 14, 1974. THE SUB-
JECTS DEALT WITH IN YOUR MESSAGE ARE EXTREMELY IMPORTANT
AND WILL DESERVE THE MOST CAREFUL ATTENTION ON OUR PART. I
HOPE I SHALL BE IN A POSITION TO RESPOND TO THEM VERY SOON.

3.

MEANWHILE, ALLOW ME TO REQUEST YOUR KIND ATTENTION TO A
MATTER OF THE UTMOST URGENCY, RELATED TO THE INVESTIGATION
NOW UNDERTAKEN BY THE TREASURY DEPARTMENT, ON THE EXPORT
OF BRAZILIAN FOOT-WEAR TO THE AMERICAN MARKET. IN A SPIRIT
OF COOPERATION, THE BRAZILIAN AUTHORITIES HAVE AGREED TO
PROVIDE PERTINENT INFORMATION TO THE DEPARTMENT OF THE
TREASURY AND, TO THAT EFFECT, BRAZILIAN OFFICIALS HAVE
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PARTICIPATED IN TWO MEETINGS IN WASHINGTON, D.C., ON THE

TECHNICAL LEVEL.

4. AS I HAD THE OCCASION TO STRESS DURING OUR TALKS IN WASHINGTON, APRIL LAST, BRAZIL ATTACHES THE UTMOST IMPORTANCE TO THE SUBJECT AND WE CANNOT ACCEPT THAT IT BE SETTLED IN THE LIGHT OF AMERICAN SECTORIAL INTERESTS THROUGH A RIGID AND AUTOMATIC INTERPRETATION OF UNITED STATES LEGISLATION. IT IS OUR CONSIDERED VIEW THAT THE PROBLEM INVOLVES WIDER AND MORE COMPREHENSIVE INTERESTS OF BOTH BRAZIL AND THE UNITED STATES AND THAT THE SOLUTION TO THE PROBLEM SHOULD BE SOUGHT THROUGH BILATERAL NEGOTIATIONS, TAKING INTO DUE ACCOUNT THE NORMS AND RULES OF INTERNATIONAL TRADE.

5. DURING HIS VISIT TO BRAZIL AND IN DIRECT FOLLOW-UP TO THE FOREIGN MINISTERS' MEETINGS IN TLATELOLCO AND WASHINGTON, AMBASSADOR EBERLE LEFT IT TO BE UNDERSTOOD THAT A SOLUTION MIGHT BE FOUND IN THE CONTEXT OF THE MULTILATERAL TRADE NEGOTIATIONS, WHEN AND IF THE TRADE REFORM ACT IS APPROVED, THUS ENDOWING THE AMERICAN ADMINISTRATION WITH A GREATER MARGIN OF DISCRETION IN THE APPLICATION OF COUNTERVAILING DUTIES. UNFORTUNATELY, AS IT WAS FELT IN THE COURSE OF THE TECHNICAL MEETING WHICH HAS JUST TAKEN PLACE IN WASHINGTON, THERE ARE STRONG INDICATIONS TO THE EFFECT THAT THE TREASURY DEPARTMENT IS DETERMINED TO ACT PROMPTLY AND TO IMMEDIATELY IMPOSE COUNTERVAILING DUTIES ON THE IMPORT OF BRAZILIAN FOOT-WEAR THUS IGNORING THE ARGUMENTS ADDUCED BY THE BRAZILIAN EXPORTERS AND DISREGARDING THE INFORMATION PROVIDED BY THE COMPETENT BRAZILIAN AUTHORITIES.

6. SUCH AN ACTION, ON THE PART OF THE UNITED STATES DEPARTMENT OF THE TREASURY, PRIOR TO THE ENACTMENT OF NEW AND MORE ENLIGHTENED LEGISLATION, WHICH WILL ALLOW THE UNITED STATES TO OBSERVE THE NORMS AND RULES OF INTERNATIONAL TRADE, WILL AFFECT, IT IS EASY TO SEE, NOT ONLY THE INTERESTS OF AN IMPORTANT SECTOR OF OUR INDUSTRIAL EXPORTS BUT LIKEWISE THE WIDER FRAMEWORK OF OUR TRADITIONALLY CORDIAL RELATIONS.

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7. COGNIZANT AS I AM OF YOUR DEEP-FELT INTEREST IN STRENGTHENING RELATIONS BETWEEN OUR TWO COUNTRIES AND OF YOUR ACUTE PERCEPTION OF THE DIPLOMATIC IMPLICATIONS OF SUPPOSEDLY TECHNICAL DECISIONS, I DECIDED TO SUBMIT THIS QUESTION TO YOUR DIRECT ATTENTION, WITH THE FIRM HOPE THAT A TIMELY INTERVENTION OF THE STATE DEPARTMENT WILL INSERT ALL THIS PROBLEM INTO THE CONTEXT OF THE WIDER AND MORE PERMANENT INTERESTS OF THE UNITED STATES OF

AMERICA.

8. IN AWAITING FROM YOU A POSITIVE RESPONSE, AT YOUR EARLIEST CONVENIENCE, I HAVE INSTRUCTED AMBASSADOR JOAO AUGUSTO DE ARAUJO CASTRO TO DELIVER TO YOU THIS PERSONAL MESSAGE, TO WHICH I ATTACH THE UTMOST URGENCY AND IMPORTANCE. CORDIALLY YOURS, ANTONIO AZEREDO DA SILVEIRA.
END TEXT.

9. IN PRESENTING THE LETTER TO ASSISTANT SECRETARY KUBISCH, AMBASSADOR ARAUJO CASTRO STRESSED THE GREAT IMPORTANCE THE GOB ATTACHED TO THE COUNTERVAILING DUTY ISSUE AND SAID THAT SILVEIRA WOULD BE DISCUSSING IT WITH PRESIDENT GEISEL TODAY. ARAUJO CASTRO SAID HE UNDERSTOOD THAT TREASURY FELT IT HAD TO APPEAR TOUGH ON THIS ISSUE IN ORDER FOR CONGRESS TO GIVE IT DISCRETIONARY AUTHORITY IN IMPOSING COUNTERVAILING DUTIES IN THE TRADE REFORM ACT. BUT WHY DID BRAZIL HAVE TO BE THE OBJECT OF THIS TOUGHNESS? HE ASKED. THE US SEEMED WILLING TO SACRIFICE RELATIONS WITH SOME COUNTRIES OVER THIS ISSUE, HE SAID. THE DECISION MAY BE VIEWED BY TREASURY AS TECHNICAL OR LEGAL BUT IT IS A DIPLOMATIC PROBLEM AND ITS DIPLOMATIC EFFECTS WILL BE VERY BAD, HE SAID.

10. ECON COUNSELOR THOMPSON FLORES, WHO ACCOMPANIED ARAUJO CASTRO, NOTED THAT THE USG THROUGH DISC, EXIM, ETC. PROVIDES SOME OF THE SAME INCENTIVES TO US EXPORTERS FOR WHICH IT IS CRITICIZING BRAZIL. HE ADDED THAT WITH THE TRA BEFORE CONGRESS AND DISCUSSIONS TAKING PLACE IN GENEVA, THE ENTIRE ISSUE OF EXPORT SUBSIDIES SEEMED TO BE IN A PERIOD OF TRANSITION. CONSEQUENTLY, IT WOULD SEEM TO BE AN INAPPROPRIATE TIME FOR THE US TO IMPOSE COUNTERVAILING DUTIES ON BRAZILIAN EXPORTS.

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11. KUBISCH SAID THAT HE WOULD SEE THAT SILVEIRA'S LETTER WAS BROUGHT TO THE SECRETARY'S ATTENTION PROMPTLY. HE SAID HIS UNDERSTANDING WAS THAT THE TREASURY DEPARTMENT WAS REQUIRED BY LAW TO CARRY OUT ITS ENFORCEMENT RESPONSIBILITIES, AND THAT TREASURY APPEARED TO HAVE NO DISCRETION IN THE MATTER IF A BOUNTY OR GRANT WERE FOUND TO EXIST. EVEN SO, HE CONTINUED TO HOPE THAT WITH CLOSE CONSULTATIONS AND GOOD WILL ON BOTH SIDES, A MUTUALLY ACCEPTABLE SOLUTION MIGHT YET BE FOUND.

12. PORTUGUESE TEXT OF SILVEIRA'S LETTER BEING POUCHED.
KISSINGER

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